

**NOTICE OF FINAL RULEMAKING**  
**TITLE 9. HEALTH SERVICES**  
**CHAPTER 22. ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION**

**PREAMBLE**

**1. Article, Part, or Section Affected (as applicable)**

R9-22-731

**Rulemaking Action:**

Amend

**2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**

Authorizing statute: A.R.S. § 36-2999.72

Implementing statute: A.R.S. § 36-2999.72

**3. The effective date of the rule:**

As specified in A.R.S. § 41-1032(A)(4), the agency requests an immediate effective date to provide a benefit to the public and a penalty is not associated with a violation of the rule.

**4. Citations to all related notices published in the Register to include the Register as specified in R1-1-409(A) that pertain to the record of the final rulemaking package:**

Notice of Rulemaking Docket Opening: 27 A.A.R. 1040, July 9, 2021.

Notice of Proposed Rulemaking: 27 A.A.R. 1033, July 9, 2021.

**5. The agency's contact person who can answer questions about the rulemaking:**

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**6. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**

Through this rulemaking, the AHCCCS Administration proposes to update the intended Health Care Investment Fund (HCIF) assessment amounts for FFY 2022. One of the main purposes of the HCIF is to make

directed payments to hospitals pursuant to 42 CFR § 438.6(c) that supplement the base reimbursement rate provided to hospitals for services provided to persons eligible for Title XIX Services. These directed payments have been named Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) payments. Additionally, the HCIF is used to increase base reimbursement for services reimbursed under the dental fee schedule and physician fee schedule.

Hospitals received their first HEALTHII directed payment in December 2020 and will continue receiving directed payments on a quarterly basis. Annually, HEALTHII payments represent a net increase of over \$900 million. To ensure adequate HCIF is available to provide the full State Match required to fund the physician and dental rate increases as required by Laws 2020, Chapter 46 and the HEALTHII directed payments, AHCCCS intends to amend the rates located in this rule.

**7. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

A study was not referenced or relied upon when revising these regulations.

**8. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision:**

Not applicable.

**9. A summary of the economic, small business, and consumer impact:**

The Health Care Investment Fund hospital assessment established in A.R.S. § 36-2999.72 will be matched by federal funds. The majority of the assessment funds and accompanying federal funds will be used to provide an increase for base reimbursement for services reimbursed under the dental fee schedule and physician fee schedule and for quarterly supplemental payments to Arizona hospitals. Many of the providers of that medical care are considered small businesses located in Arizona

A.R.S. §36-2999.72 prohibits the assessed hospitals from passing the cost of the assessment on to patients or third parties who pay for care in the hospital. In the aggregate, the Administration expects to return millions more in FFY 2022 in incremental payments for medical services than will be collected through the assessment.

**10. A description of any changes between the proposed rulemaking, to include supplemental notices, and the final rulemaking:**

There were no changes between the proposed and final rulemaking.

**11. An agency’s summary of the public or stakeholder comments made about the rule making and the agency response to the comments:**

Name and Position of Commenter	Date of Comment	Text of Comment	AHCCCS Response
Kari Cornicelli, Executive Vice President, Chief Financial Officer, Phoenix Children’s Hospital	8/9/2021	<p>On behalf of Phoenix Children’s Hospital (PCH), it is with great pleasure that I write to you today in support of AHCCCS’ proposed Health Care Investment Fund Rulemaking (Rulemaking). As you know, FFY 2021 was the first year that PCH participated in the hospital assessment that is the subject of the Rulemaking, and we worked closely with AHCCCS to ensure that we participated on an equitable basis. We appreciated your partnership in addressing our concerns last year and are pleased to see that the FFY 2022 Rulemaking continues to ensure PCH’s equitable participation. The hospital assessment has been successful in leveraging local funds to help ensure access to high-quality care for AHCCCS patients, and the Rulemaking will continue that success.</p> <p>The HEALTHII payments funded through the assessment will provide critical support for PCH in this time of extraordinary and unprecedented need. As the only freestanding children’s hospital in the state, PCH provides high-quality, high-intensity services to a disproportionately large share of AHCCCS patients, and it relies on HEALTHII and other AHCCCS payments to fund these efforts. We look forward to continuing to work with AHCCCS and the HEALTHII workgroup to maintain this critical source of funding and better serve the citizens of Arizona. I am happy to answer any questions or provide any additional information. Please do not hesitate to contact me if I can offer any additional assistance.</p>	AHCCCS thanks Phoenix Children’s Hospital for their support of this rulemaking.
Eileen I. Klein, Consultant, Health System Alliance of Arizona (HSAA)	8/9/2021	<p>The Health System Alliance of Arizona (Alliance) would like to extend our gratitude to the AHCCCS Administration for its work and ongoing engagement with hospital stakeholders to refine and update the HEALTHII payment and assessment programs. Through this reiterative process, AHCCCS continues to demonstrate a sincere commitment to transparency and responsiveness to stakeholder discussion and input, which is sincerely appreciated.</p> <p>The Alliance supports the updated FFY 2022 HEALTHII payment and assessment methodology as outlined in the proposed rulemaking for the Health Care Investment Fund (HCIF). We further appreciate and support the inclusion of the additional 5% multiplicative increase that has been applied to each class’ FFY 21 HEALTHII payment along with the</p>	AHCCCS thanks the Health System Alliance of Arizona for their support of this rulemaking.

		<p>corresponding assessment rate adjustments. This program plays a critical role in helping providers address the health care needs of our communities. Lastly, the Alliance looks forward to partnering with the Administration as it continues to assess incremental quality or value-based purchasing payment opportunities that will “supplement, not supplant,” HEALTHII payments to hospitals.</p>	
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**12. Other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules.**

There are no other matters prescribed by statute applicable to rulemaking specific to this agency, to this specific rule, or to this class of rules.

**a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:**

The rule does not require the provider to obtain a permit or a general permit.

**b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:**

The rulemaking must be established consistent with 42 CFR § 438.6(c). The rule is not more stringent than federal law.

**c. Whether a person submitted an analysis to the agency that compares the rule’s impact of the competitiveness of business in this state to the impact on business in other states:**

No such analysis was submitted.

**13. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:**

The rule does not include any incorporation by reference of materials as specified in statute.

**14. Whether the rule was previously made, amended or repealed as an emergency rule. If so, cite the notice published in the Register as specified in R1-1-409(A). Also, the agency shall state where the text was changed between the emergency and the final rulemaking packages:**

The rule was not previously made, amended or repealed as an emergency rule.

**15. The full text of the rules follows:**

**ARTICLE 7. STANDARDS FOR PAYMENTS**

**Section**

R9-22-731

Health Care Investment Fund - Hospital Assessment

## ARTICLE 7. STANDARDS FOR PAYMENTS

### R9-22-731. Health Care Investment Fund - Hospital Assessment

- A.** For purposes of this Section, terms are the same as defined in A.A.C. R9-22-730 as provided below unless the context specifically requires another meaning:
- B.** Beginning October 1, 2020, for each Arizona licensed hospital not excluded under subsection (I) shall be subject to an assessment payable on a quarterly basis. The assessment shall be levied against the legal owner of each hospital as of the first day of the quarter, and except as otherwise required by subsections (D), (E) and (F). For the period beginning October 1, 2021~~0~~, the assessment for each hospital shall be amount equal to the sum of: (1) the number of discharges reported on the hospital's 2019~~8~~ Medicare Cost Report, excluding discharges reported on the Medicare Cost Report as "Other Long Term Care Discharges," multiplied by the following rates appropriate to the hospital's peer group; and (2) the amount of outpatient net patient revenues multiplied by the following rate appropriate to the hospital's peer group:
1. ~~\$204.75151.50~~ per discharge and ~~3.37232.5886%~~ of outpatient net patient revenues for hospitals located in a county with a population less than 500,000 that are designated as type: hospital, subtype: short-term.
  2. ~~\$204.75151.50~~ per discharge and ~~1.40514.0786%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: critical access hospital.
  3. ~~\$51.2538.00~~ per discharge and ~~1.40514.0786%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: long term.
  4. ~~\$51.2538.00~~ per discharge and ~~1.40514.0786%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: psychiatric, that reported 2,500 or more discharges on the 2019~~8~~ Medicare Cost Report.
  5. ~~\$164.00421.25~~ per discharge and ~~3.65332.8043%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: short-term with 20% of total licensed beds licensed as pediatric, pediatric intensive care and neonatal intensive care as reported in the hospital's 2019~~8~~ Uniform Accounting Report.
  6. ~~\$184.25436.50~~ per discharge and ~~4.21533.2357%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: short-term with at least 10% but less than 20% of total licensed beds licensed as pediatric, pediatric intensive care and neonatal intensive care as reported in the hospital's 2019~~8~~ Uniform Accounting Report.
  7. ~~\$41.0030.50~~ per discharge and ~~1.12410.8629%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: children's.
  8. ~~\$204.75451.50~~ per discharge and ~~5.62054.3143%~~ of outpatient net patient revenues for hospitals designated as type: hospital, subtype: short-term not included in another peer group.
- C.** Peer groups for the four quarters beginning October 1 of each year are established based on hospital license type and subtype designated in the Provider & Facility Database for Arizona Medical Facilities posted by the Arizona Department of Health Services Division of Licensing Services on its website January 2, 2021~~0~~.
- D.** Notwithstanding subsection (B), psychiatric discharges from a hospital that reported having a psychiatric sub-provider in the hospital's 2019~~8~~ Medicare Cost Report, are assessed a rate of ~~\$51.2538.00~~ for each discharge from the psychiatric sub-provider as reported in the 2019~~8~~ Medicare Cost Report. All discharges other than those reported as discharges from the psychiatric sub-provider are assessed at the rate required by subsection (B).
- E.** Notwithstanding subsection (B), rehabilitative discharges from a hospital that reported having a rehabilitative sub-provider in the hospital's 2019~~8~~ Medicare Cost Report, are assessed a rate of \$0 for each discharge from the rehabilitative sub-provider as reported in the 2019~~8~~ Medicare Cost Report. All discharges other than those reported as discharges from the rehabilitative sub-provider are assessed at the rate required by subsection (B).
- F.** Notwithstanding subsection (B), for any hospital that reported more than ~~24,000~~23,000 discharges on the hospital's 2019~~8~~ Medicare Cost Report, discharges in excess of ~~24,000~~23,000 are assessed a rate of ~~\$20.5045.25~~ for each discharge in excess of ~~24,000~~23,000. The initial ~~24,000~~23,000 discharges are assessed at the rate required by subsection (B).

- G.** Assessment notice. On or before the 10<sup>20</sup>th day of the first month of the quarter or upon CMS approval, whichever is later, the Administration shall send to each hospital a notification that the assessment invoice is available to be viewed on a secure website. The invoice shall include the hospital's peer group assignment and the assessment due for the quarter.
- H.** Assessment due date. The assessment must be received by the Administration no later than the 10<sup>20</sup>th day of the second month of the quarter.
- I.** Excluded hospitals. The following hospitals are excluded from the assessment based on the hospital's 2018<sup>9</sup> Medicare Cost Report and Provider & Facility Database for Arizona Medical Facilities posted by the Arizona Department of Health Services Division of Licensing Services on its website for January 2, 2020<sup>1</sup>:
1. Hospitals owned and operated by the state, the United States, or an Indian tribe.
  2. Hospitals designated as type: hospital, subtype: short-term that have a license number beginning "SH".
  3. Hospitals designated as type: hospital, subtype: psychiatric that reported fewer than 2,500 discharges on the 2019<sup>8</sup> Medicare Cost Report.
  4. Hospitals designated as type: hospital, subtype: rehabilitation.
  5. Hospitals designated as type: med-hospital, subtype: special hospitals.
  6. Hospitals designated as type: hospital, subtype: short-term located in a city with a population greater than one million, which on average have at least 15 percent of inpatient days for patients who reside outside of Arizona, and at least 50 percent of discharges as reported on the 2019<sup>8</sup> Medicare Cost Report are reimbursed by Medicare.
  7. Hospitals designated as type: hospital, subtype: short-term that have at least 25 percent Medicare swing beds as percentage of total Medicare days, per the 2019<sup>8</sup> Medicare Cost Report.
- J.** New hospitals. For hospitals that did not file a 2019<sup>8</sup> Medicare Cost Report because of the date the hospital began operations:
1. If the hospital was open on the January 2 preceding the October assessment start date, the hospital assessment will begin on October 1 following the date the hospital began operating.
  2. If the hospital began operating between January 3 and June 30, the assessment will begin on October 1 of the following calendar year.
  3. A hospital is not considered a new hospital based on a change in ownership.
  4. The assessment will be based on the discharges reported in the hospital's first Medicare Cost Report and Uniform Accounting Report, which includes 12 months-worth of data, except when any of the following apply:
    - a. If there is not a complete 12 months-worth of data available, the assessment will be based on the annualized number of discharges from the date hospital operations began through December 31 preceding the October assessment start date. The hospital shall self-report the discharge data and all other data requested by the Administration necessary to determine the appropriate assessment to the Administration no later than January preceding the assessment start date for the new hospitals. "Annualized" means divided by a ratio equal to the number of months of data divided by 12 months.
    - b. If more than 12 months of data is available, the assessment will be based on the most recent 12 months of self-reported data, as of December 31;
  5. For purposes of calculating subpart 4, if a new hospital shares a Medicare Identification Number with an existing hospital, the assessment amount will be based on self-reported data from the new hospital instead of the Medicare Cost Report. The data shall include the number of discharges and all other data requested by the Administration necessary to determine the appropriate assessment.
  6. For hospitals providing self-reported data, described in subpart 4 and 5:
    - a. Psychiatric discharges will be annualized to determine if subsections (B)(4) or (I)(3) apply to the assessment amount.
    - b. Discharges will be annualized to determine if subsection (F) applies to the assessment amount.
- L.** Changes of ownership. The parties to a change of ownership shall promptly provide written notice to the Administration of a change of ownership and any agreement regarding the payment of the assessment. The assessed amount will continue at the same amount applied to

the prior owner. Assessments are the responsibility of the owner of record as of the first day of the quarter; however, this rule is not intended to prohibit the parties to a change of ownership from entering into an agreement for a new owner to assume the assessment responsibility of the owner of record as of the first day of the prior quarter.

- M.** Hospital closures. Hospitals that close shall pay a proportion of the quarterly assessment equal to that portion of the quarter during which the hospital operated.
- N.** Required information for the inpatient assessment. For any hospital that has not filed a ~~2019~~ Medicare Cost report, or if the ~~2019~~ Medicare Cost report does not include the reliable information sufficient for the Administration to calculate the inpatient assessment, the Administration shall use data reported on the ~~2019~~ Uniform Accounting Report filed by the hospital in place of the ~~2019~~ Medicare Cost report to calculate the assessment. If the ~~2019~~ Uniform Accounting Report filed by the hospital does not include reliable information sufficient for the Administration to calculate the inpatient assessment amounts, the hospital shall provide the Administration with data specified by the Administration necessary in place of the ~~2019~~ Medicare Cost report to calculate the assessment.
- O.** Required information for the outpatient assessment. For any hospital that has not filed a ~~2019~~ Uniform Accounting Report, or if the ~~2019~~ Uniform Accounting Report does not reconcile to ~~2018~~ Audited Financial Statements, the Administration shall use the data reported on ~~2018~~ Audited Financial Statements to calculate the outpatient assessment. If the ~~2018~~ Audited Financial Statements do not include the reliable information sufficient for the Administration to calculate the outpatient assessment, the Administration shall use data reported on the ~~2018~~ Medicare Cost report. If the Medicare Cost report does not include reliable information sufficient for the Administration to calculate the outpatient assessment amounts, the hospital shall provide the Administration with data specified by the Administration necessary in place of the ~~2018~~ Medicare Cost report to calculate the outpatient assessment.
- P.** Enforcement. If a hospital does not comply with this section, the director may suspend or revoke the hospital's provider agreement. If the hospital does not comply within 180 days after the hospital's provider agreement is suspended or revoked, the director shall notify the director of the Department of Health Services who shall suspend or revoke the hospital's license.